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5 Pages Today

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On the Upswing: Cable's 2Q Performance Earns Wall Street Kudos

Some 6 months after downgrading the cable sector to neutral, analyst *Craig Moffett* is singing a new tune. "Cord cutting risks are now much better appreciated, and recent results have highlighted the resilience of cable within the broader turmoil along the Pay TV distribution chain," he wrote Wed in a **MoffettNathanson** research report that upgraded the sector to overweight. **Comcast** and **Charter** were upgraded to "buy" with price targets of $67 (unchanged) and $210 (up from $195), respectively. **Time Warner Cable** is rated "neutral" with a price target of $204 (up from $190). MoffettNathanson is keeping a "sell" rating on **Cablevision** ($8 price target) and a "neutral" rating on **Cable One** ($380 target). Moffett still is concerned about cord cutting and broadband pricing, but notes that in recent 2Q earnings cable reported genuinely better results vs telcos and satellite. Even broadband unit growth remains "excellent," he conceded. While he cited risks with **AT&T**'s fiber expansion and the potential of regulatory intervention on broadband pricing, Moffett described cable stocks as a "beacon" against a broader market struggling with growth. His upgrade comes a day after **Wells Fargo Securities**' *Marci Ryvicker* downgraded **CBS, Disney** and **21st Century Fox** to "market perform" and reiterated that the firm favors pay TV, which it rates "overweight." "Despite roughly 550K video sub losses just witnessed, we can't help but like cable as terrestrial internet is becoming increasingly important - and an internet sub boasts a 25% FCF margin vs little to no margin for video," said a Wells Fargo note. Wed's positive cable stock news included The Street's Quant Picks naming its 3 cable stocks to buy now: **AMC Networks**, Time Warner Cable and Comcast. But it was a tough day on Wall Street, with the **Dow Jones** industrial average ending down 162 points, the **S&P 500** dropping 17 points and **Nasdaq** composite index falling 40 points. Largely blamed were a release of the Federal Reserve's last meeting minutes, which said the central bank was "approaching" the need for a rate hike but not quite there yet. Charter shares closed down 0.32%; Comcast and TWC were up almost 0.4%.

Johnson Leaving the Kitchen: *Brooke Johnson* is set to retire as pres of **Food Network** and **Cooking Channel**, with her exit coming 12 years after she joined **Scripps Nets**. Under her tenure, Food expanded into brand products, launched its own magazine and developed successful programming franchises such as "Chopped" and "Diners, Drive-Ins and Dives." She's also overseen Cooking, which has posted steady YOY ratings growth. Johnson will continue to serve as a consultant to Scripps Networks Interactive through the end of 2016. An announcement regarding the leadership of Food

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- Documentary
- Integrated/Cross-Platform
- Comedy
- Drama
- Suspense
- Reality/Docu-Series
- Sports
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Questions: Contact Mary-Lou French at mfrench@accessintel.com or 301-354-1851.

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Network moving forward will be made in the coming days. "I couldn't be more proud of everything that the team and talented chefs and hosts have created and accomplished together during my time here," Johnson said in a statement. "The timing was right for me to step back and enjoy the next phase of my life, but I leave with total confidence that Food Network and Cooking Channel will continue to grow and engage fans of these beloved brands for many years to come."

DirecTV Expands 4K: **AT&T**'s **DirecTV** expanded its 4K UltraHD capabilities with its new set-top box, the 4K Genie Mini. Compatible with most 4K TVs, the device allows subs with a Genie HD DVR connect to non-DirecTV 4K-ready TVs. DirecTV launched 4K programming in Nov 2014 through its Genie HD DVR, which allows receive-less connections to supporting DirecTV 4K ready UHD TVs from Samsung with access to DirecTV 4K VOD movies. Support for LG, Sony and additional TV models are coming soon, according to DirecTV. 4K content requires a TV with an HDMI 2.0 compliant interface.

Google Router: **Google**, already in the broadband business, is entering the router business as well. The company launched its own WiFi router for $199. Dubbed OnHub, the device can be pre-ordered for $199.99 from online retailers in the US including Google Store, **Amazon**, and **Walmart.com**. It will be available in retail stores in the US and Canada in the coming weeks. The device also includes Bluetooth Smart Ready technology, which allows devices to receive and share Bluetooth signals from accessories such as speakers, headphones, fitness accessories and medical tools. The router also supports the 802.15.4-based Weave standard that Google announced for IoT applications including home automation services. That can potentially create competition for cable ops that are also looking to expand its smart home services. "In the future, OnHub can support smart devices that you bring into your home, whether they use Bluetooth Smart Ready, Weave, or 802.15.4. We also plan to design new OnHub devices with other hardware partners in the future. Stay tuned for news from our second partner, ASUS, later this year," Google said in a blog post. OnHub allows for WiFi speeds of up to 1900 Mbps by supporting both 2.4 GHz and 5 GHz frequencies. The device has 4 GB of storage space.

Retrans Redux: **Mediacom** is poking the retrans dragon some more, this time suggesting that the **FCC** should examine labor law practices to help create conditions in the marketplace that would encourage successful retrans negotiations. "It is a well-settled principle of labor law that negotiating parties have an obligation to provide, upon request, relevant information substantiating claims made in the course of the negotiation," Mediacom wrote in a filing Tues night, suggesting that good faith retrans negotiations should require parties claiming offers are at market prices to disclose the prices they charge to other parties in the market. In a separate filing this week at the FCC, **CenturyLink, FairPoint, Mediacom, Public Knowledge** and others joined together to call for transparency in retrans negotiations. Broadcast interest group **TV Freedom** returned serve Wed morning with a blog title "Mediacom's Fake Fees and No-Show Service," that took the MSO to task for some complaints published against it on ConsumerAffairs.com. TV Freedom spokesman *Robert Kenny*, citing concerns raised by Sens *Claire McCaskill* (D-MO), *Bernie Sanders* (I-VT) and others, wrote that Congress is well-positioned to lead the charge on reform from "the abusive behavior of America's cable and satellite providers."

Quotable: "I have so many friends on both sides of that equation, I'd rather not answer," Republican presidential hopeful *Donald Trump* on whether the **FCC** killing the **Comcast-Time Warner Cable** merger was the right decision in a Q&A with *The Hollywood Reporter*.

EEO Reminder: The **FCC** reminded all MVPDs Wed that they must file EEO program annual reports by Sept 30. It also identified certain MVPDs that must complete the supplementary investigation sheet portion of the form.

One CSN Mid-Atlantic: **Comcast SportsNet Mid-Atlantic** has consolidated its CSNWashington.com and CSNBaltimore.com sites under the new CSNMidAtlantic.com—proving that even if Ravens and Redskins fans don't always hang together, they can at least coexist online. There also is a CSN Mid-Atlantic app for both Washington and Baltimore sports.

Comcast Extends Internet Essentials: **Comcast** will launch a pilot for low-income senior citizens in San Francisco as part of its Internet Essentials program, currently in its 5th year. The pilot is developed in partnership with the San Francisco Department of Aging and Adult Services, the City's SF Connected Senior's Digital Literacy training collaborative, and their training partners. It's designed to help seniors better understand and use the Internet. A separate pilot program was announced on August 4 for low-income seniors in Palm Beach County, FL. According to the **Pew Research Center**, less than half of seniors (aged 65 and older) have broadband at home. And only 25% of seniors with HH incomes below $30K have home broadband, compared to 82% of seniors with HH incomes at or above $75K.

BUSINESS & FINANCE

Synacor Buys Zimbra: TV tech provider **Synacor** agreed to acquire **Zimbra** for $24.5mln. The company provides open source based email and messaging software. The deal, which will close in 45 days, is expected to expand Synacor in international and enterprise markets. Synacor said the acquisition will make it the largest provider of ISP email services in the US. Synacor plans to continue the open source version of Zimbra and will provide technical support for Zimbra's Open Source Edition (OSE) through its VAR partners around the world.

TWC Expands Phone Plan: **Time Warner Cable** added Bangladesh, Ecuador, Israel, Pakistan and South Korea to its global penny phone plan. Customers can access penny-per-minute rates to 55 countries to both landlines and mobile numbers with the addition.

Ratings: **Golf Channel** scored 8mln unique viewers across **PGA** Championship week, making it the 2nd most-viewed total since 2010. Helped by the net's "Golf Central Live From The PGA Championship" coverage from Mon through Sun, Golf also posted its most-watched week ever for the PGA Championship, with 107K average viewers per minute for 24-hour Total Day. Overall for the week, viewership was up 6% YOY and 5% vs 2013, as well as +27% vs the historical average (84K) for this week (2006-2014), according to **Nielsen** data.

Cablefax Daily Stockwatch

Company	08/19 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DISH:	66.09	(0.59)
ENTRAVISION:	8.43	0.09
GRAY TELEVISION:	13.90	(0.37)
MEDIA GENERAL:	13.26	0.14
NEXSTAR:	52.43	(0.62)
SINCLAIR:	28.96	0.01
TEGNA:	24.99	(0.39)
MSOS		
CABLE ONE:	432.88	(6.15)
CABLEVISION:	25.09	(0.22)
CHARTER:	188.20	(0.61)
COMCAST:	59.92	0.23
COMCAST SPCL:	60.46	0.35
GCI:	17.60	(0.23)
LIBERTY BROADBAND:	56.55	0.06
LIBERTY GLOBAL:	52.04	(0.41)
SHAW COMM:	20.43	(0.06)
SHENTEL:	41.53	(0.17)
TIME WARNER CABLE:	191.48	0.38
PROGRAMMING		
21ST CENTURY FOX:	29.96	(0.23)
AMC NETWORKS:	72.94	(0.84)
CBS:	48.52	(0.83)
CROWN:	4.72	(0.07)
DISCOVERY:	28.78	(0.27)
DISNEY:	106.45	(0.49)
GRUPO TELEVISA:	32.03	(0.65)
HSN:	63.03	(0.16)
LIONSGATE:	39.01	(0.14)
MSG:	76.42	(1.77)
SCRIPPS INT:	57.07	0.06
STARZ:	38.52	0.28
TIME WARNER:	77.82	(1.19)
VIACOM:	43.67	(0.2)
WWE:	21.69	0.50
TECHNOLOGY		
ADDVANTAGE:	2.39	0.05
AMDOCS:	60.35	(0.12)
AMPHENOL:	55.23	0.03
APPLE:	115.01	(1.49)
ARRIS GROUP:	27.92	0.38
AVID TECH:	8.31	(0.3)
BLNDER TONGUE:	0.59	0.01
BROADCOM:	51.04	0.02
CISCO:	27.80	(0.45)
COMMSCOPE:	25.98	(0.01)
CONCURRENT:	5.21	(0.04)
CONVERGYS:	23.03	(0.21)
CSG SYSTEMS:	31.84	(0.22)
ECHOSTAR:	46.43	(0.12)
GOOGLE:	660.90	4.77
HARMONIC:	5.81	(0.05)
INTEL:	28.36	(0.55)
INTERACTIVE CORP:	73.61	(0.58)
LEVEL 3:	49.02	(0.09)
MICROSOFT:	46.61	(0.66)
NETFLIX:	122.11	(1.94)
NIELSEN:	48.22	(0.13)
RENTRAK:	50.30	(0.16)
SEACHANGE:	5.90	(0.11)
SONY:	26.63	(0.24)
SPRINT NEXTEL:	4.92	0.06
TIVO:	9.58	(0.09)
UNIVERSAL ELEC:	47.74	(0.59)
VONAGE:	6.16	(0.14)
YAHOO:	35.19	(0.5)
TELCOS		
AT&T:	34.36	0.01
CENTURYLINK:	28.37	0.25
FRONTIER COMMUNICATIONS :	5.36	(0.07)
TDS:	30.15	(0.16)
VERIZON:	47.44	(0.02)
MARKET INDICES		
DOW:	17348.73	(162.61)
NASDAQ:	5019.05	(40.29)
S&P 500:	2079.61	(17.31)

Think about that for a minute...

And So It Begins

Commentary by Steve Effros

Judy Woodruff was hosting the PBS Newshour the other night with a story about the new deal between HBO and Sesame Street. Her "neutral" demeanor was sorely tested. Her concern, chagrin and disdain for what was happening couldn't be missed. What unfortunately was, however, was why this was all happening and that it was neither a tragedy nor a loss, but actually a fortunate solution to what is going to be an increasing problem.

Judy was clearly upset that the signature children's series for PBS was now going to be available first on a subscription service. She opined that its mission, she thought, was to deliver quality children's programming to everyone, not just those who could afford to pay for a "premium" service. But in the process she lost the real thread of the story, which actually has to do with how media is developing, and who's going to pay for it.

She interviewed a former Sesame Street CEO, who accurately pointed out that the programming would still be made available to all kids, free, on PBS, nine months after the first airing on HBO. He also noted that the world of video was changing, and that services such as HBO needed to compete with other, similar services like Netflix, and the growing use of "streaming," thereby luckily creating the opportunity for Sesame Street to get the deal it got.

What was missed is that Sesame Street was in trouble. As with most programming, it's never been "free!" It's just been paid for in different ways. PBS, with its government and private industry subsidies, covered only a small part of the cost of production. Another very significant revenue stream came from things like DVD sales. As even Judy should know, the value of Sesame Street is in the ability to show it repeatedly to new generations of kids, and whatever age yours are, a convenient copy was ideal to have when the time was right. But DVDs are dying. DVRs allow parents to freely record the shows and use them whenever they want. The alphabet doesn't change. That's why the HBO deal is such a good one for everyone.

HBO is more than paying its share. They're guaranteeing five years of income, thus allowing the producers of Sesame Street to create twice as much programming per year. The "cost": nine months of exclusivity, only on new material, before it goes into "free" distribution on PBS. As I said, everyone wins. HBO gets some new quality product aimed at a customer base (new parents) who they want to retain or attract with programming in addition to the hits they already have. Sesame Street remains a timeless program made available to all kids on PBS, and there will now be even more high-quality children's programming because of the HBO revenue stream.

At its base, however, this is a story about changing media distribution technology and business. From VCR to DVD to DVR. The last step is killing the traditional revenue stream. OTT may bring some back, but there's no guarantee. So HBO is a blessing for Sesame Street and PBS, not a curse. As important, this is the strongest example to date of a trend that's going to continue: old revenue streams are changing. Business models are morphing. The lucky, like Sesame Street and HBO will do fine, but the new world of DVRs, streaming and a la carte is going to result in many good programs not making the cut. And so it begins.

Steve

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